



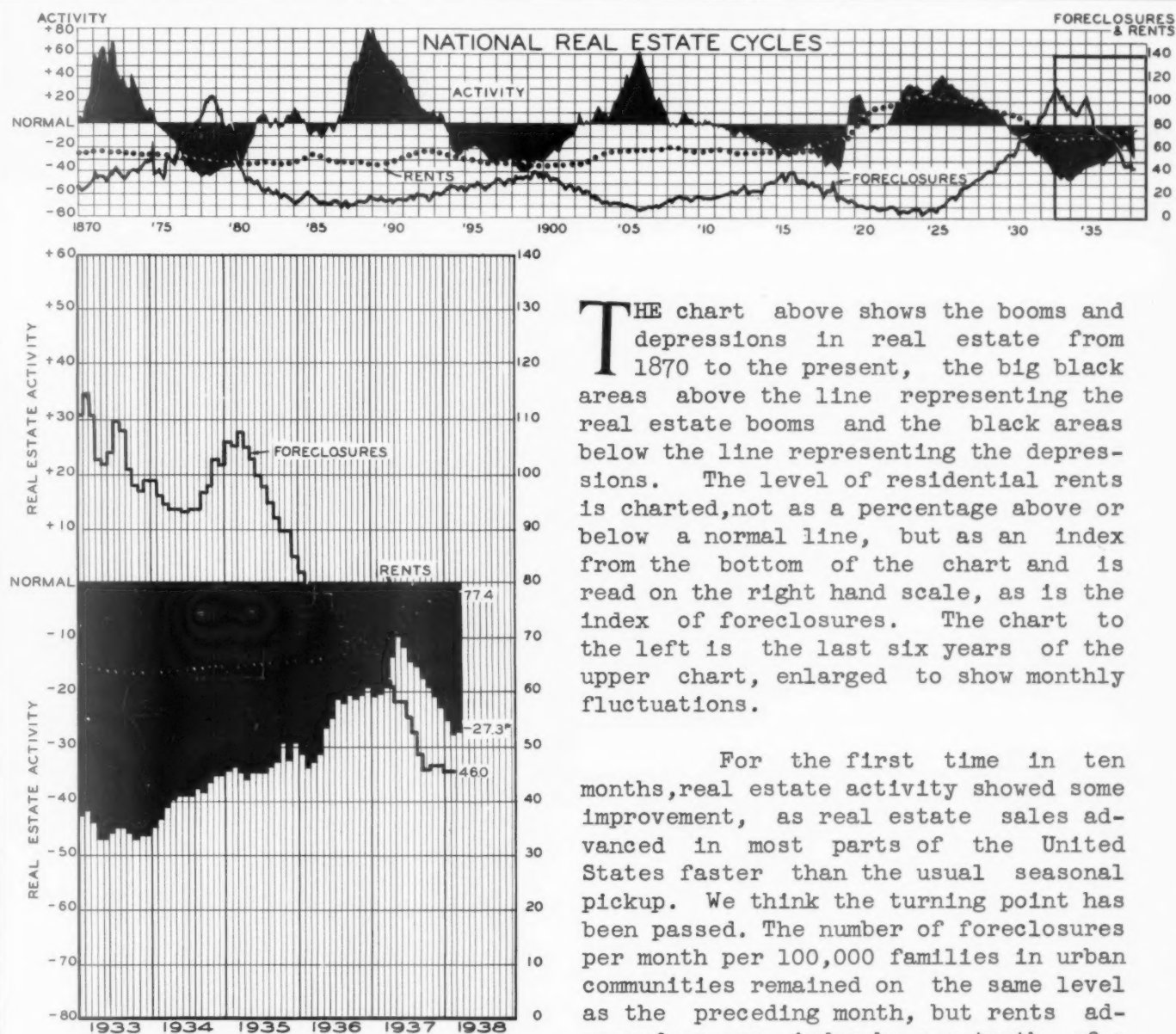
The Real Estate ANALYST

APRIL
1938

Roy Wenzlick
Editor

A concise easily digested monthly analysis based upon scientific research in real estate fundamentals and trends...Constantly measuring and reporting the basic economic factors responsible for changes in trends and values...Current Studies...Surveys...Forecasts

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Real Estate Economists, Appraisers and Counselors

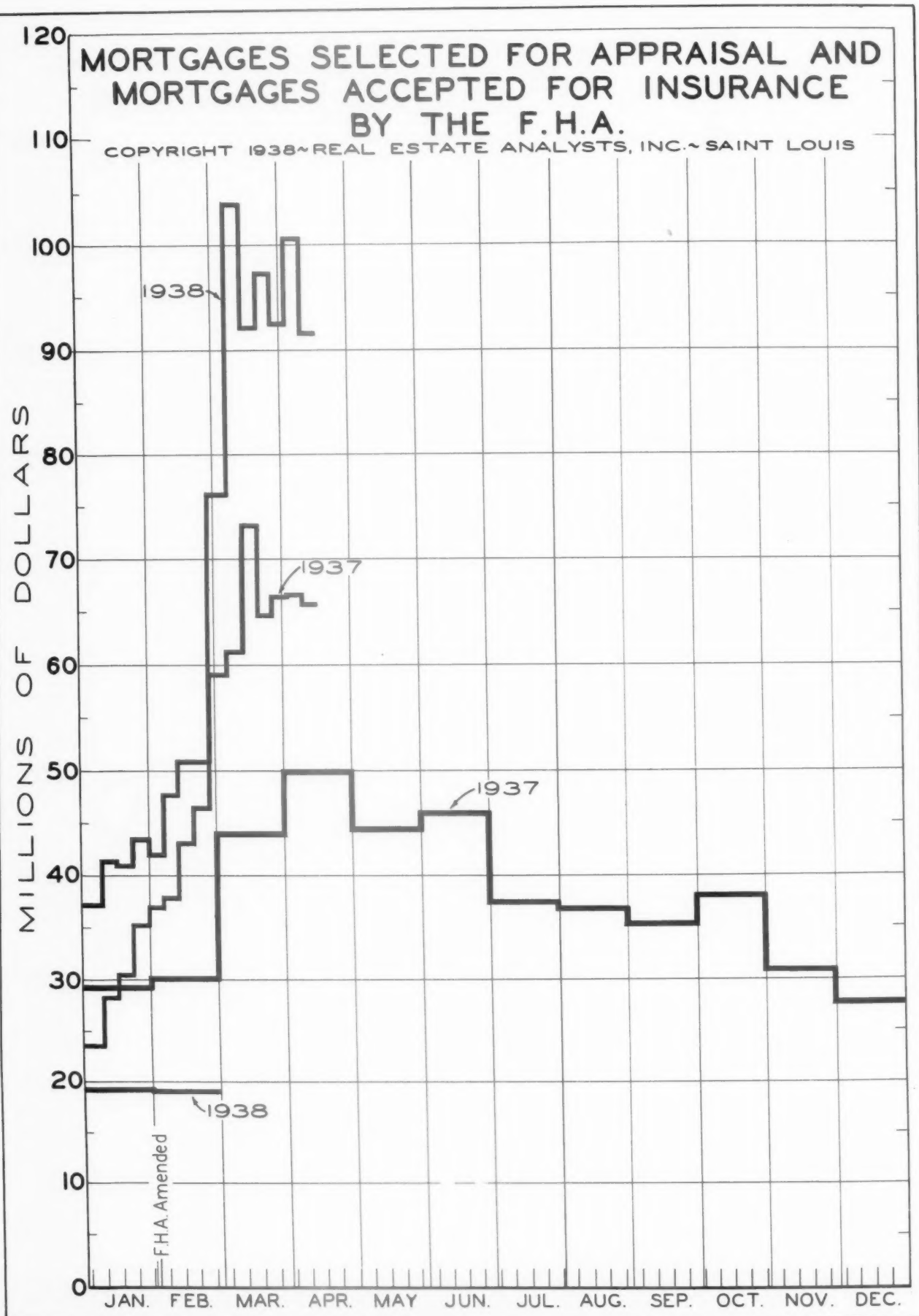


THE chart above shows the booms and depressions in real estate from 1870 to the present, the big black areas above the line representing the real estate booms and the black areas below the line representing the depressions. The level of residential rents is charted, not as a percentage above or below a normal line, but as an index from the bottom of the chart and is read on the right hand scale, as is the index of foreclosures. The chart to the left is the last six years of the upper chart, enlarged to show monthly fluctuations.

For the first time in ten months, real estate activity showed some improvement, as real estate sales advanced in most parts of the United States faster than the usual seasonal pickup. We think the turning point has been passed. The number of foreclosures per month per 100,000 families in urban communities remained on the same level as the preceding month, but rents advanced on our index by one-tenth of a

per cent. While the size of the advance is not significant, the fact that rents are holding their own in the face of increasing unemployment is rather conclusive proof that the real estate market is no longer faced by a strong tenant control.

Real estate conditions throughout the United States, however, are quite spotty. Certain sections are experiencing a continuing degree of recovery, while in one or two, labor troubles have halted all improvements with strikes.



THE TURNING POINT!

ON April 12 we sent out an Investment Bulletin headed, "The Turning Point?". We are using the same title again--with the exception of the omission of the question mark. We said then that, if the loans passed for appraisal by the FHA continued for the next few weeks to exceed the levels of a year ago, we thought it an indication that new building would start a little later in the year at a more rapid rate than we previously expected. A resumption of new building would insure a more rapid recovery in general business this summer.

Since that bulletin was written, the President has launched his pump priming program, which, regardless of its permanent value, will have, it seems to us, a stimulating value for the remainder of 1938 and 1939. If new construction now catches hold, and if the Administration does not hamper natural recovery, we think it possible that a transition from pump-primed recovery to real recovery may take place in the next two years.

The chart on the page opposite shows weekly figures for loans passed for appraisal and monthly figures for loans accepted for insurance by the FHA during 1937 and 1938. To make the two series comparable, the weekly figures have been adjusted to monthly figure levels, in other words, to the amount per month which the weekly rate, if continued during the month, would approximate.

It will be noticed that, starting in the last week of February, 1938, loans passed for appraisal climbed above the levels of a year ago, and since that time they have maintained a position almost 40% above.

Might this sudden rise mean that the FHA has gained at the expense of uninsured loans, and that the total of all new loans is no higher than it has been in the past? We are inclined to believe that this is not the sole explanation, although we know that the FHA has continually been insuring a larger and larger percentage of all new loans. The rise has been too rapid to be accounted for primarily in this way. We believe that much of the rise will be found to be on large percentage loans on small residences, on which, prior to the amendments, credit was not available.

We think that loans accepted for insurance, which constitute about 70% of loans passed for appraisal, will shortly go above a year ago.

The fact that new building, which lags these figures, has started increasing at a more than seasonal rate is encouraging. Actual building in the New York district in March was running above the figures for March of last year. If we are not mistaken, by midsummer national building will be proceeding at a rate in excess of a year ago.

This advance above a year ago should be more pronounced as the year continues, as last year the highest volume was in February, with a relatively low volume toward the middle and latter part of the year. It will be easier to exceed the low figures of the last six months of 1937 than it has been to exceed the high figures of last spring.

BUILDING BY CITIES AT THE PEAK AND IN 1937 WITH SOME INFLUENCING FACTORS

THE map studies on page 931 of this report show new residential building for the year 1937 in contrast with residential building at the peak of the last building boom in the twenties. In place of comparing the volume of building then with the volume last year, which would show practically all cities with very small percentages of their boom volumes, all cities were compared on the basis of their relative ranking in the last boom and in 1937. Were the cities which were building at the most rapid rate last year the cities which built at the most rapid rate during the boom? Many statements were printed during the bottom of the depression that various cities which built at a very rapid rate before had so badly overbuilt that no great volume of building would be possible for many years.

In this study all cities were divided into five equal groups for the peak of the last building boom and for the last year. The top group in each period comprised those cities in which building was most active; the bottom group comprised the lowest fifth, in which very little building was being done. The same symbols which have been used before in the Real Estate Analyst are used in this study, ● representing the highest fifth, ● the second or above-average fifth, ⊗ the middle or average fifth, ⊙ the fourth or below-average fifth, and ○ the lowest fifth. In this study, however, the symbols have been divided in half, the left half showing the ranking in the peak year of the last boom and the right half showing the ranking in 1937. Since ● represents the highest ranking and ⊗ represents an average ranking, ● would indicate that the city so marked on the map had been in the highest fifth in residential building volume at the peak of the last boom and was in the middle or average fifth last year.

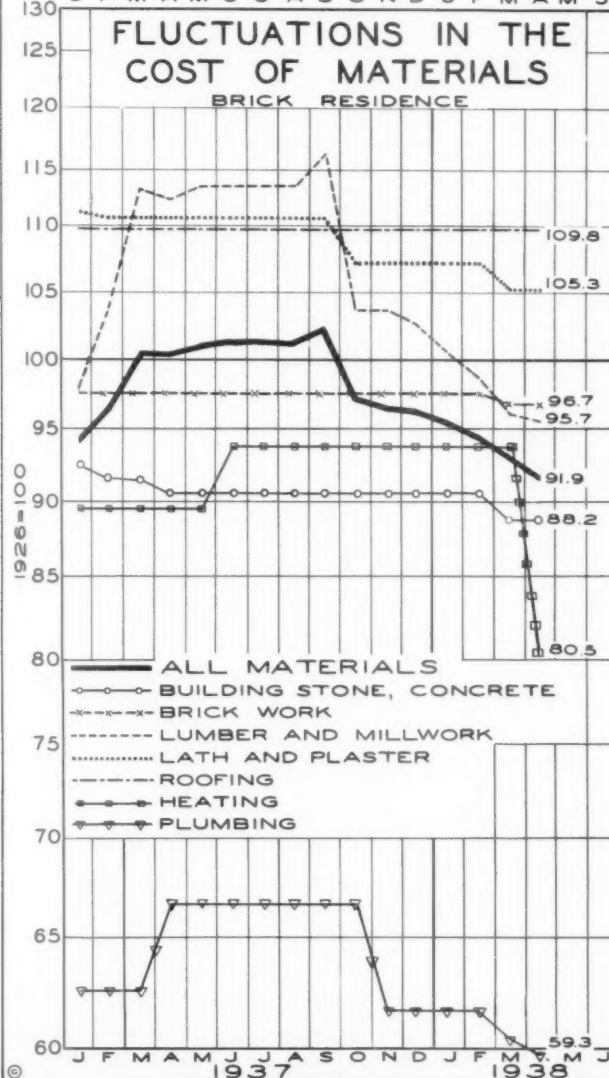
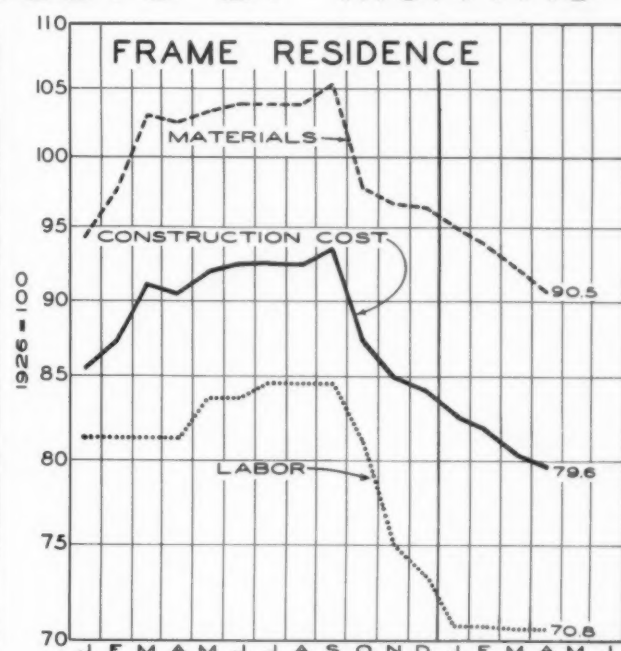
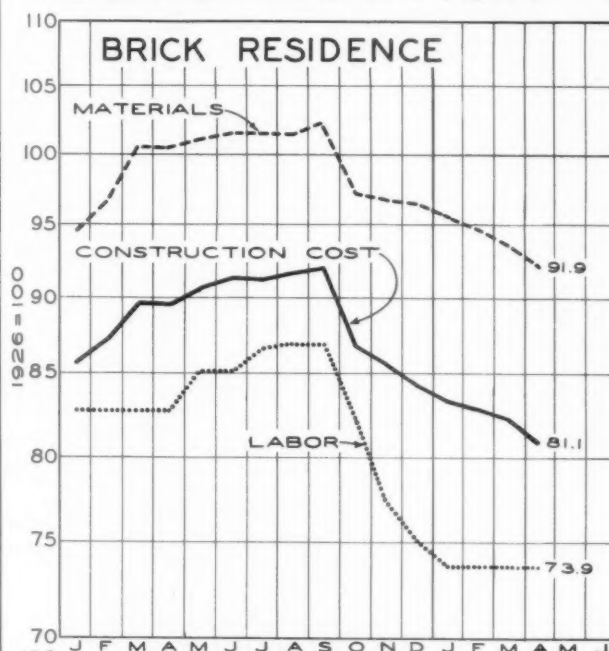
There are 204 cities marked on the maps. Of these, 65 or roughly one-third were in the same grouping in each period. Sixty-five cities varied by one group in the two periods; varying, for example, from the highest group to the second from the highest, from the average to the below average, or from the average to the above average, etc. Forty-seven cities varied by two groups in the two periods, 20 cities varied by three groups, and 7 cities were in the highest group in one period and the lowest group in the other period. Putting this on a cumulative percentage basis we have the following table:

31.9%	were in the same grouping in both periods					
63.8%	showed a variation of one grouping or less					
86.8%	"	"	"	"	two groupings or less	
96.6%	"	"	"	"	three	" " "
3.4%	"	the maximum variation				

This would indicate that most cities showed a tendency to repeat in 1937 their relative standing in building volume at the peak of the last boom. Of the 78 cities which ranked above average (the two highest fifths) at the peak of the last boom, 45 are again above average in spite of the various changes which have come with the depression.

(continued on page 930)

CONSTRUCTION COSTS BY MONTHS



IN an effort to find out how rapidly actual construction costs have been changing in the last few months we have refigured for St. Louis for each of the past sixteen months the brick and frame buildings illustrated in our December, 1937, report. Our figures as charted on this page include all items of material, labor and overhead, even including the cost of permits and the profits of the subcontractors and the contractor. The cost of materials was secured item by item from the actual delivered prices on the job, and the labor costs were computed from wages actually paid rather than from some theoretical wage rate. The rapid drop in costs which started in September of last year continued through April, and has extended to practically all cities of the United States. It will be noticed that the decline this last month was due entirely to a drop in the prices of materials as labor costs remained constant.

BUILDING BY CITIES (continued from page 928)

In an attempt to analyze the reasons for more active building in some communities than in others, the building symbols on the maps on the page opposite are printed over a red background classifying the 3100 counties of the United States into five groups. Unless the trading territory of a major city on these maps makes a favorable showing, the city cannot expect the same degree of acceleration in the period of the next five years that it could if its territory were more prosperous.

The top map groups all counties on the basis of the rate of population growth from the 1920 to the 1930 Federal Census. It will be noticed that most of the metropolitan areas showed substantial increases in population. Many rural sections, particularly in the Central States, showed decreases. In a general way the most rapid increases were in the West, the Southwest, Florida, the Tennessee Valley, and the environs of New York. A more detailed analysis of the rate of growth of metropolitan areas only was given in the September, 1937, Real Estate Analyst.

The second map in this series shows the value of all farms per acre in 1935. High farm values are due either to fertility or location. Fertility may be due to soil content, favorable weather conditions, or irrigation. Location is responsible for high farm values in the neighborhood of cities because of truck farming with low transportation cost to market and, in some cases, because of speculative value for future residential development.

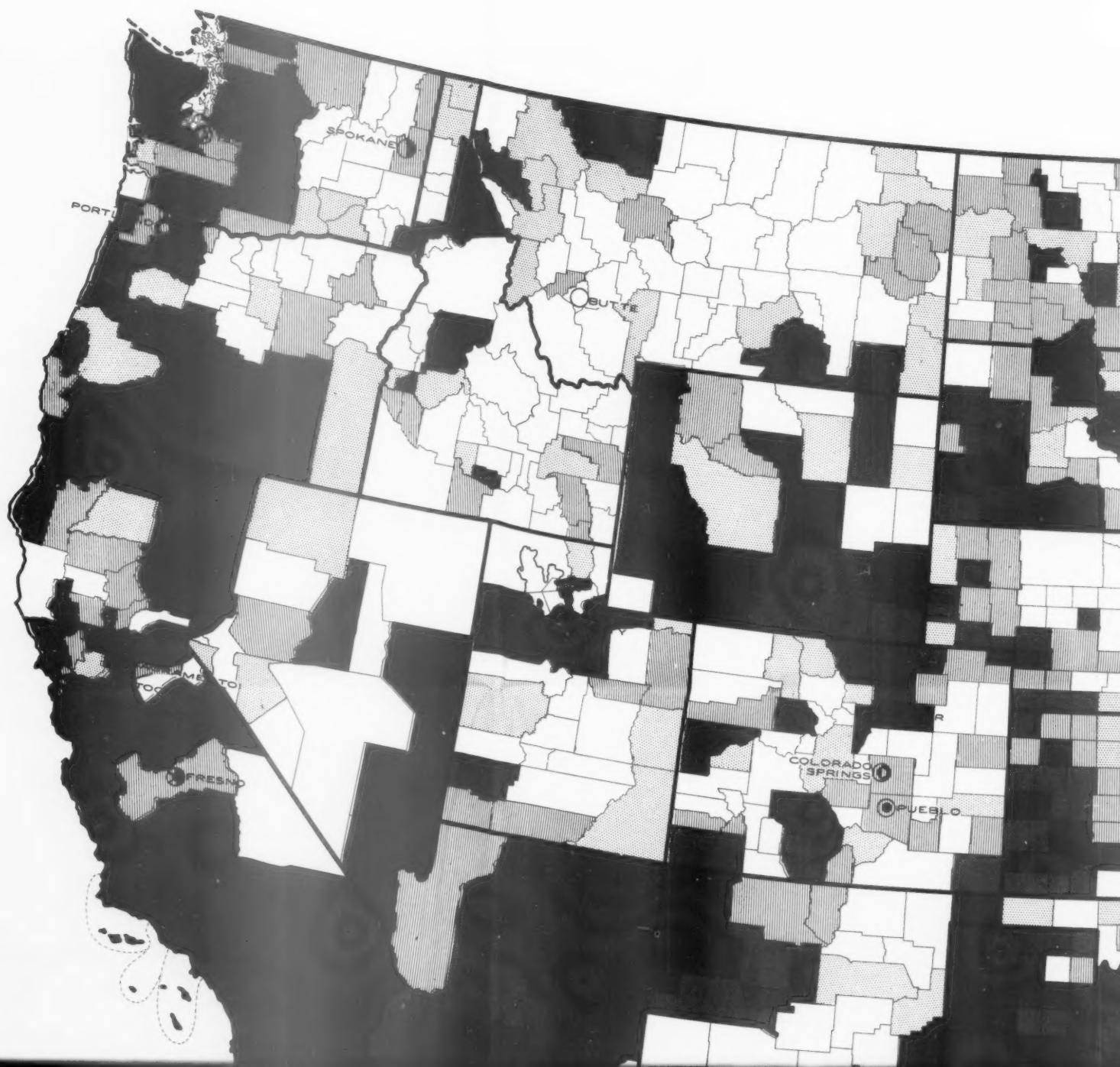
The third map in our series shows income tax returns in 1935 per 1000 families. All metropolitan areas rank high on this basis. In addition, New England and New York, the western Great Lakes region, the extreme West, the extreme Southwest, and the Northwest show up very nicely. It is rather surprising that many sparsely settled territories rank relatively high on this map. This is due to large ranch operations and other activities which use large areas with comparatively little labor.

The fourth map in this series is charted with a reversed scale in order to make it comparable to the other maps; in other words, low unemployment is charted in solid red, used throughout these studies to indicate favorable factors, and high unemployment is charted in white, used to indicate unfavorable factors.

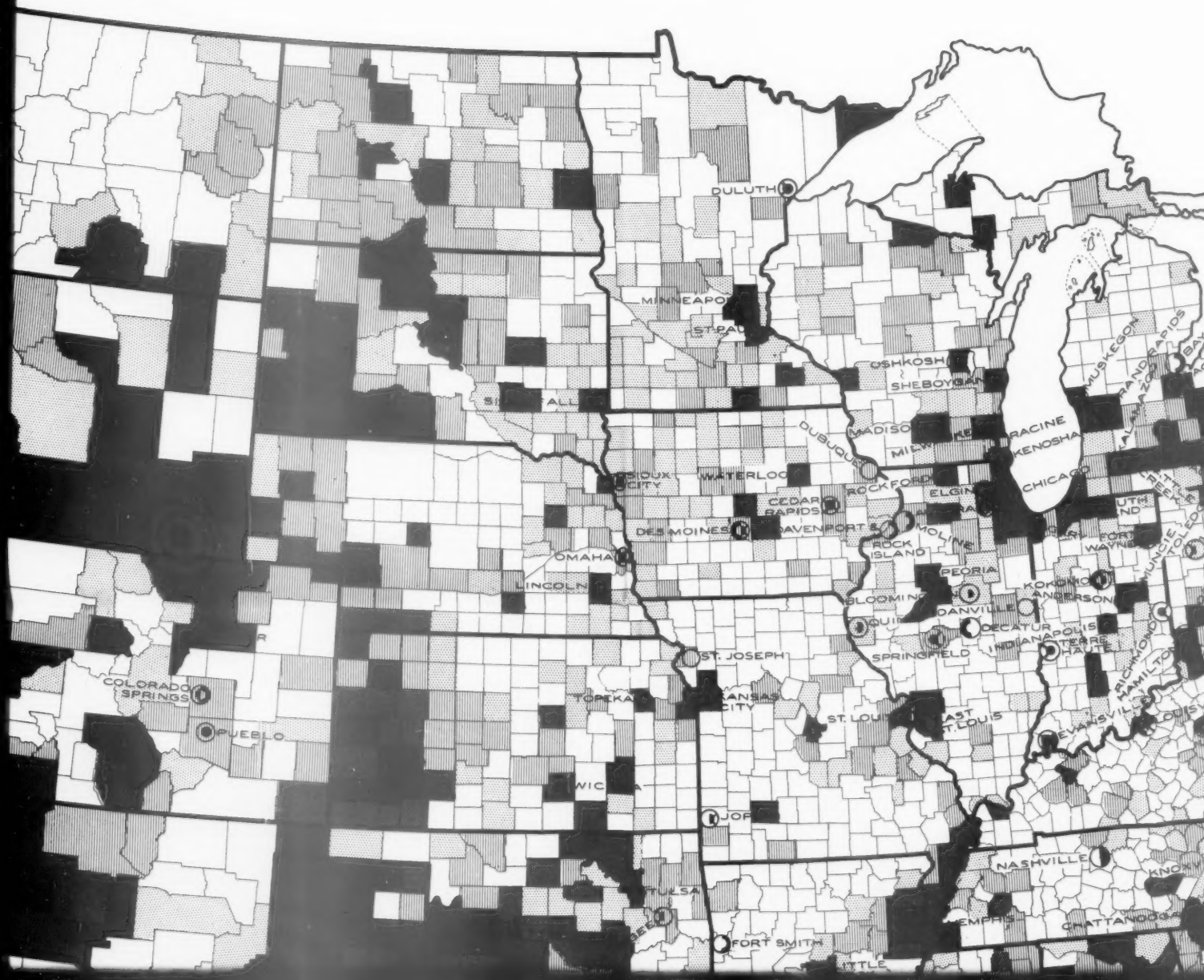
As a general rule employment varies inversely with industrialization. All large cities have an unemployment problem; very few rural areas do. States which make a favorable showing are Texas, Iowa, western and southern Minnesota, Wisconsin, Michigan, Ohio, Virginia, North Carolina, Georgia, and California.



RESIDENTIAL BUILDING IN AND IN 1937 COMPARED RESIDENTIAL BUILDING BY POPULATION INCREASE



BUILDING BY CITIES IN T COMPARED WITH CO BUILDING BY CITIES - PEAK YEA ON INCREASE BY COUNTIES -

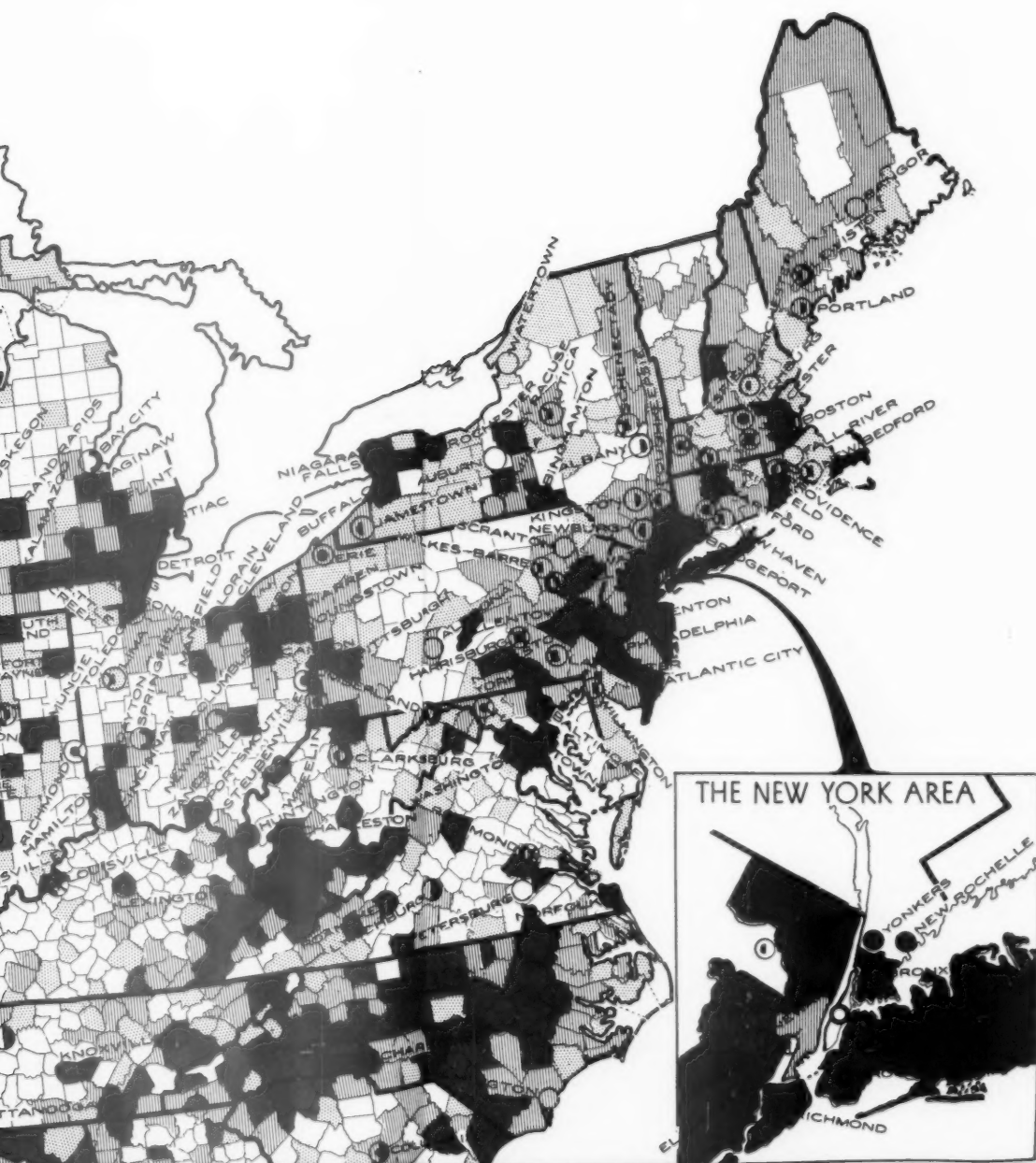


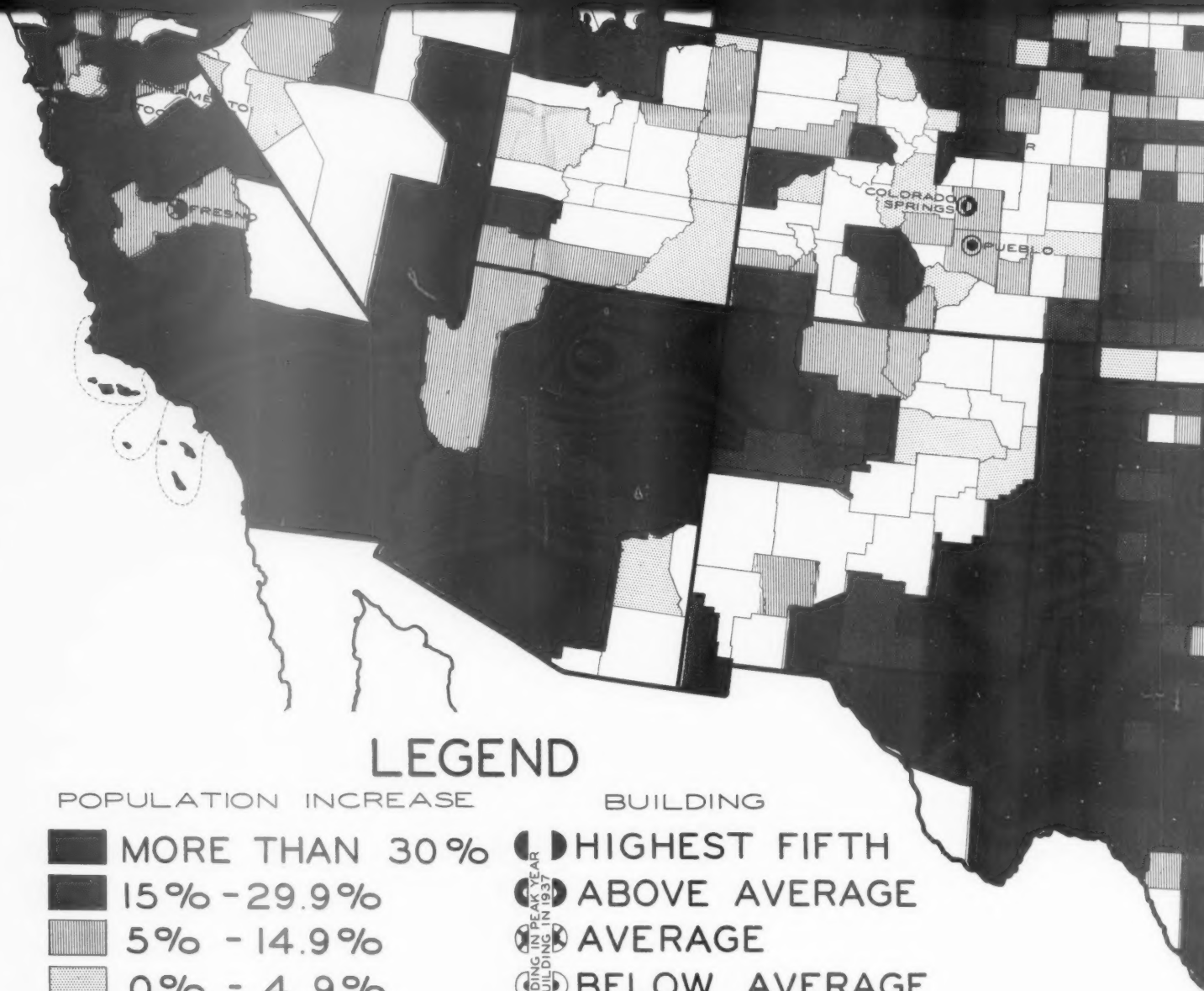
THE LAST BOOM

COUNTY DATA

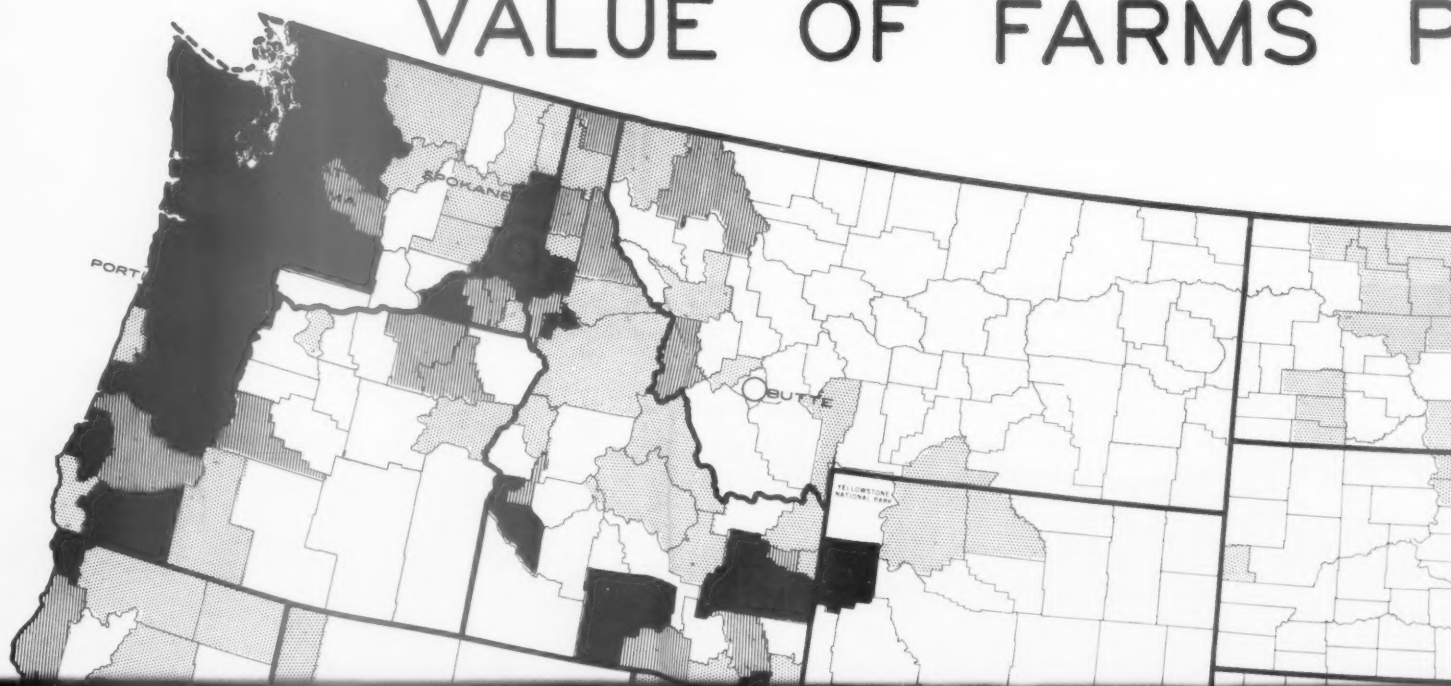
YEAR AND 1937 AND

S - 1920 - 1930



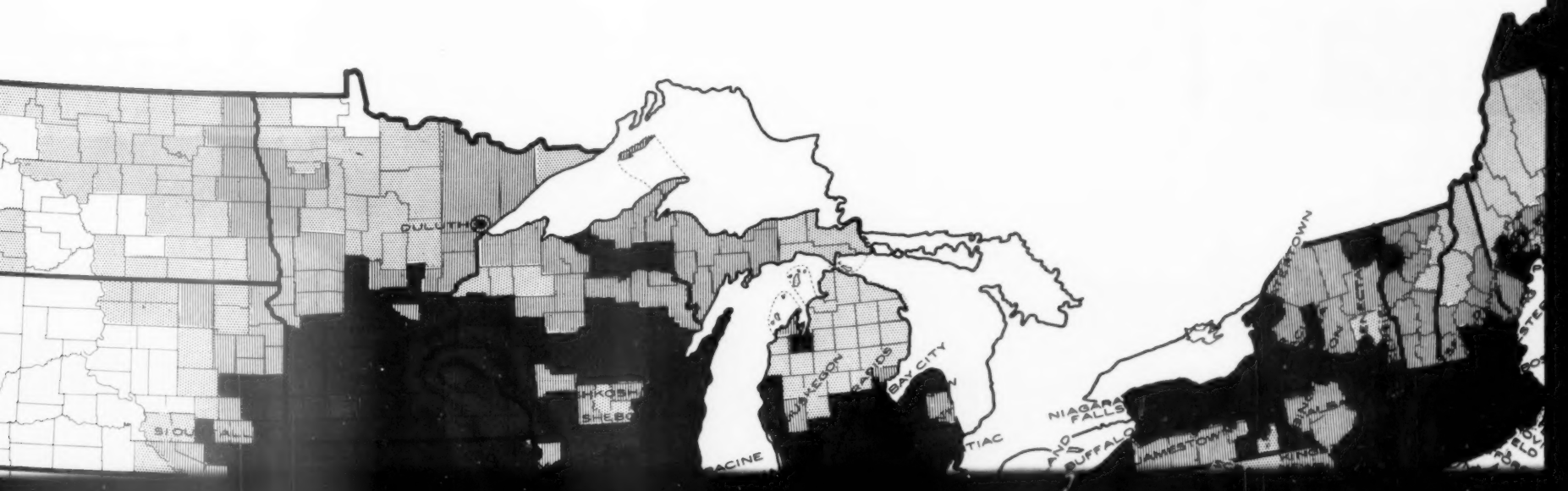


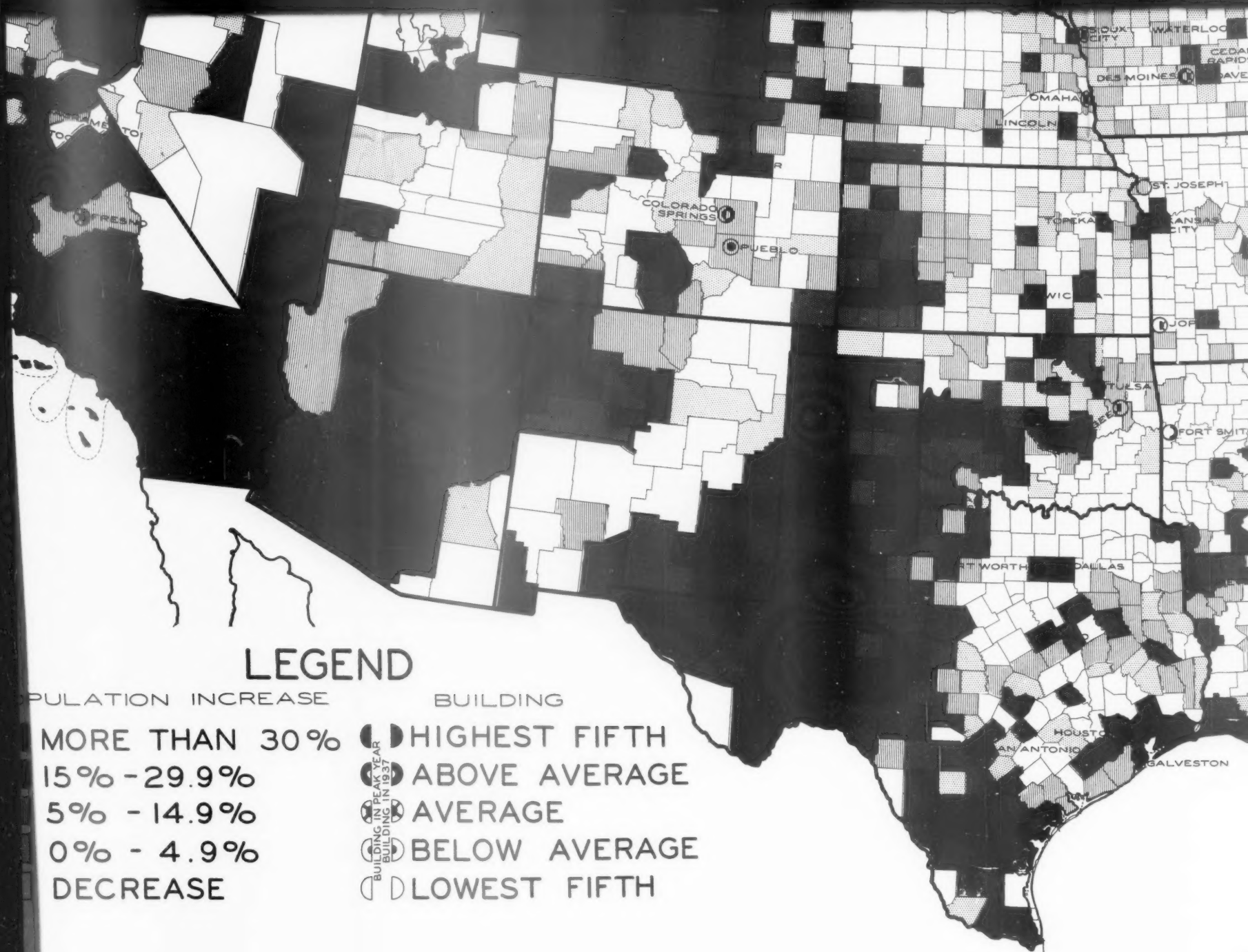
RESIDENTIAL BUILDING BY VALUE OF FARMS P



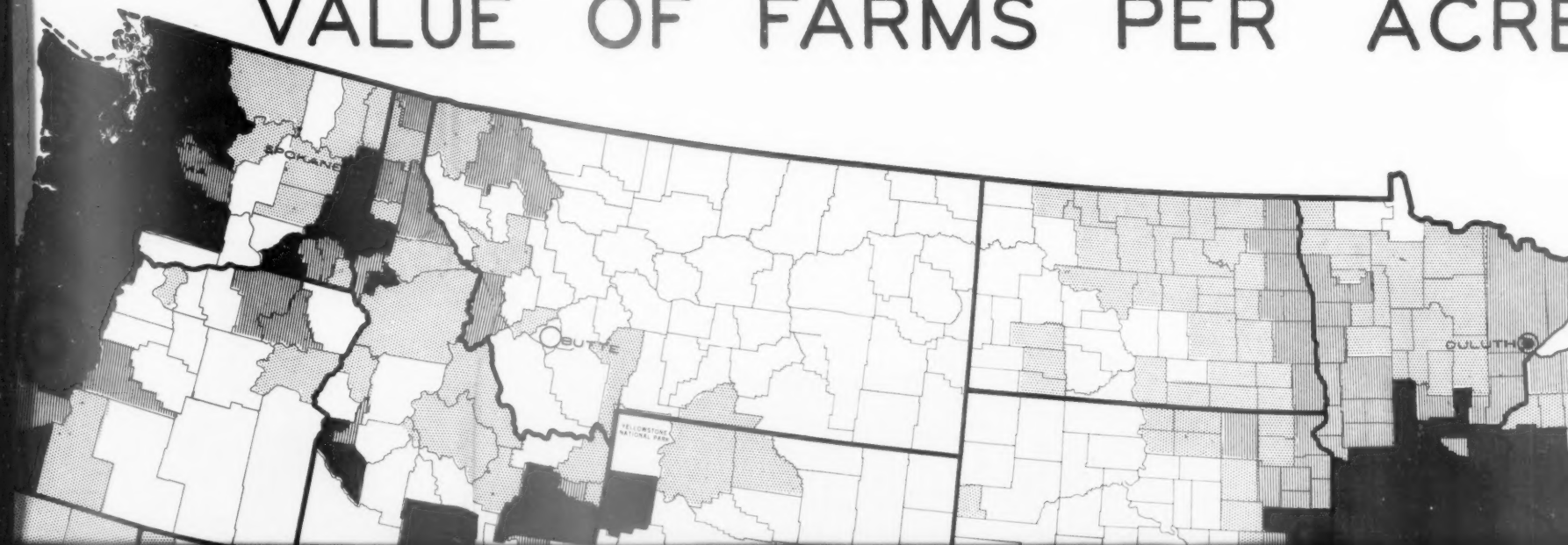


BY CITIES - PEAK YEAR AND 1937 AND
PER ACRE BY COUNTIES - 1935





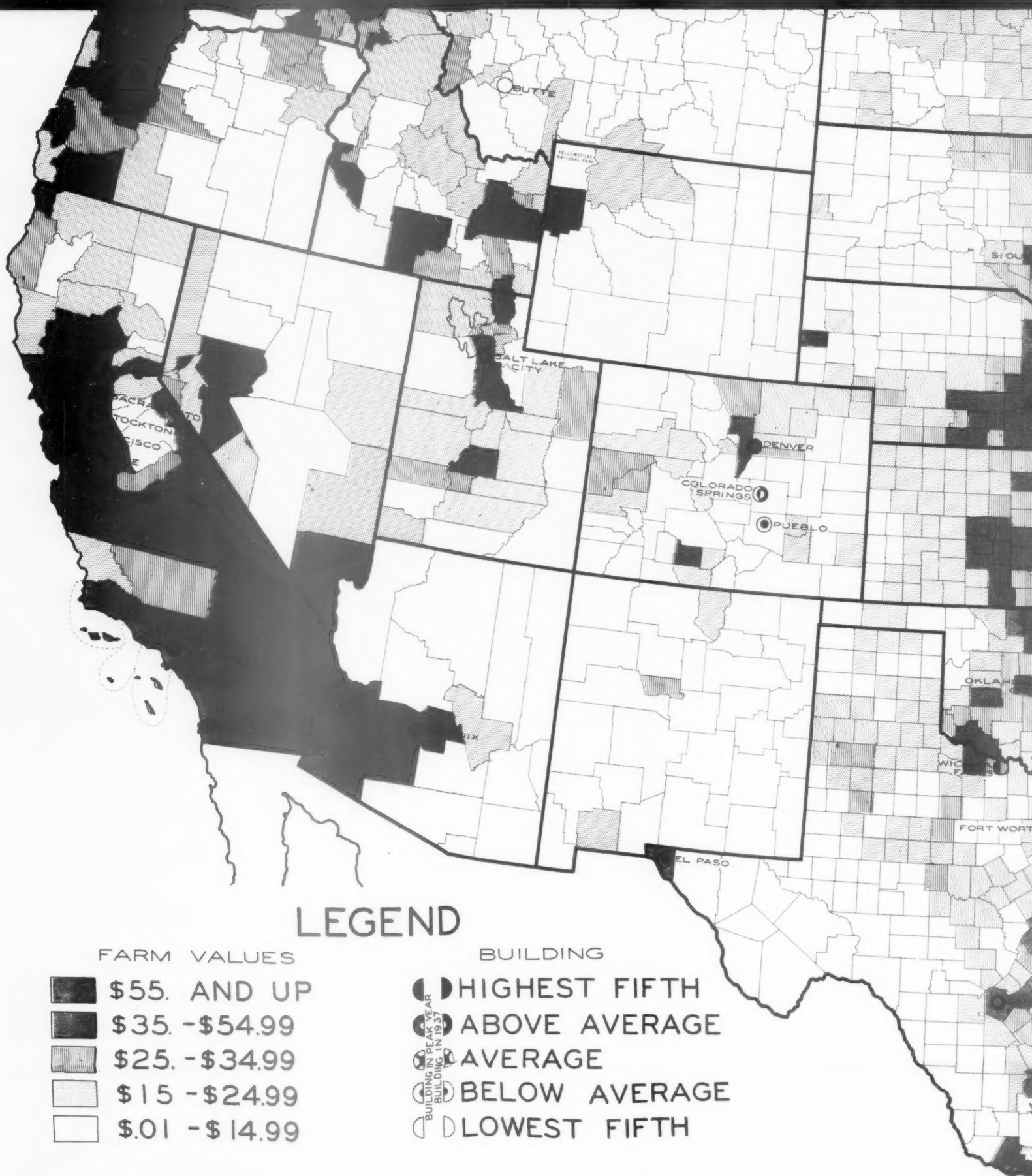
RESIDENTIAL BUILDING BY CITIES - VALUE OF FARMS PER ACRE



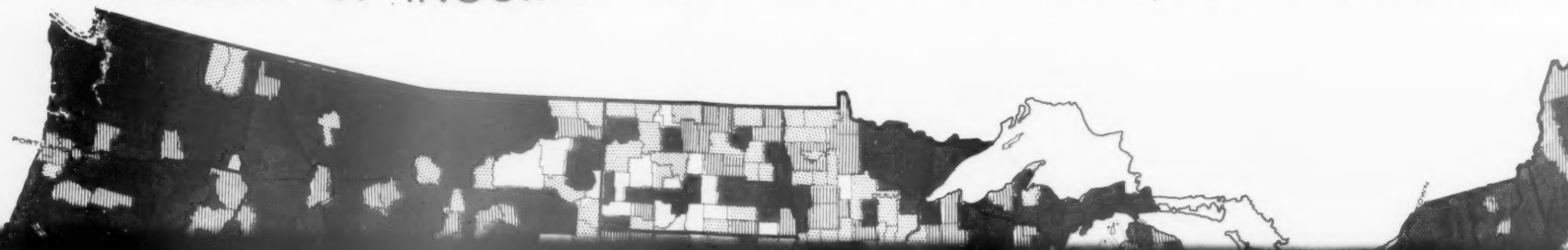


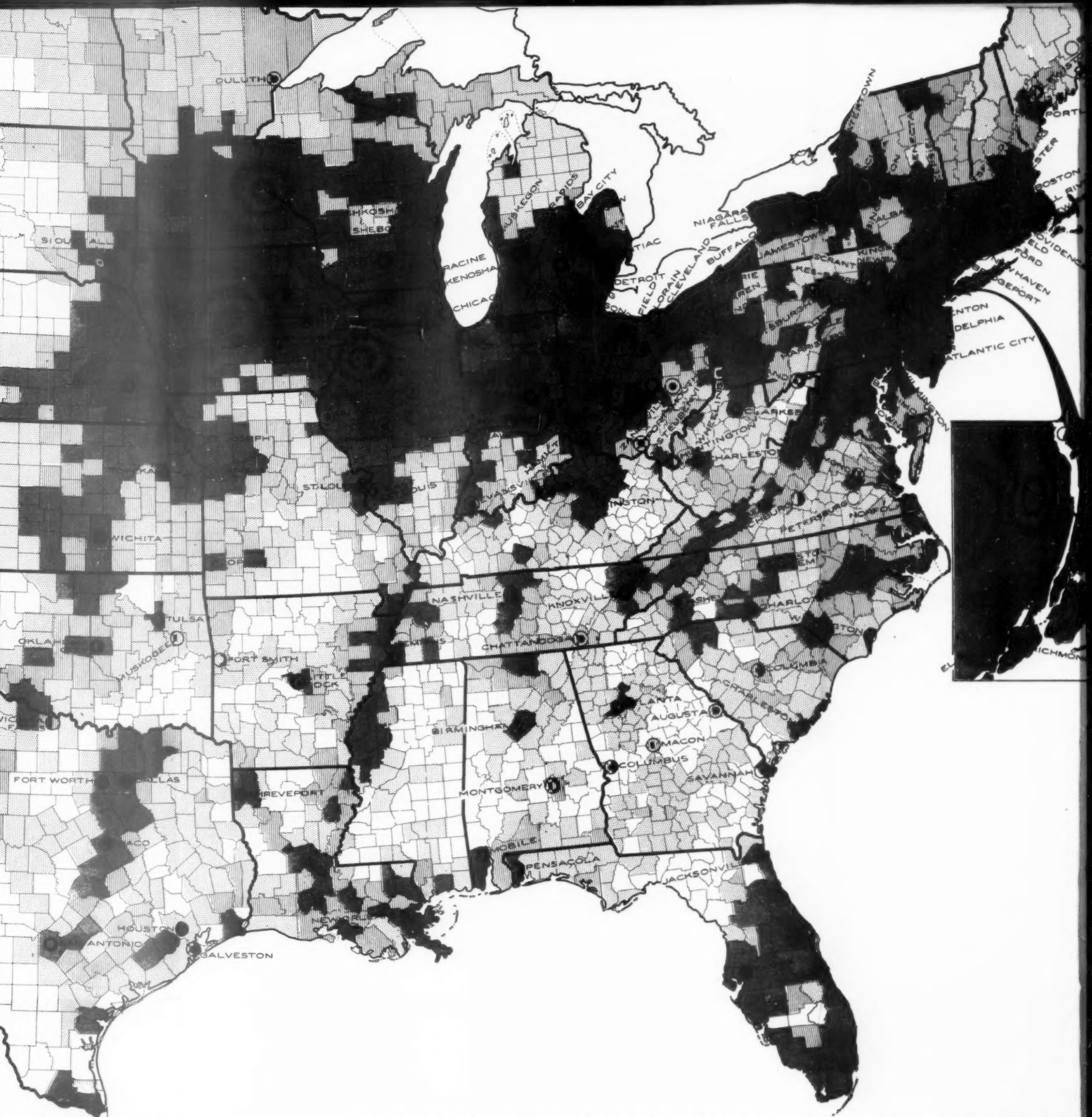
S - PEAK YEAR AND 1937 AND
CRE BY COUNTIES - 1935





NUMBER OF INCOME TAX RETURNS PER 1,000 FAMILIES -

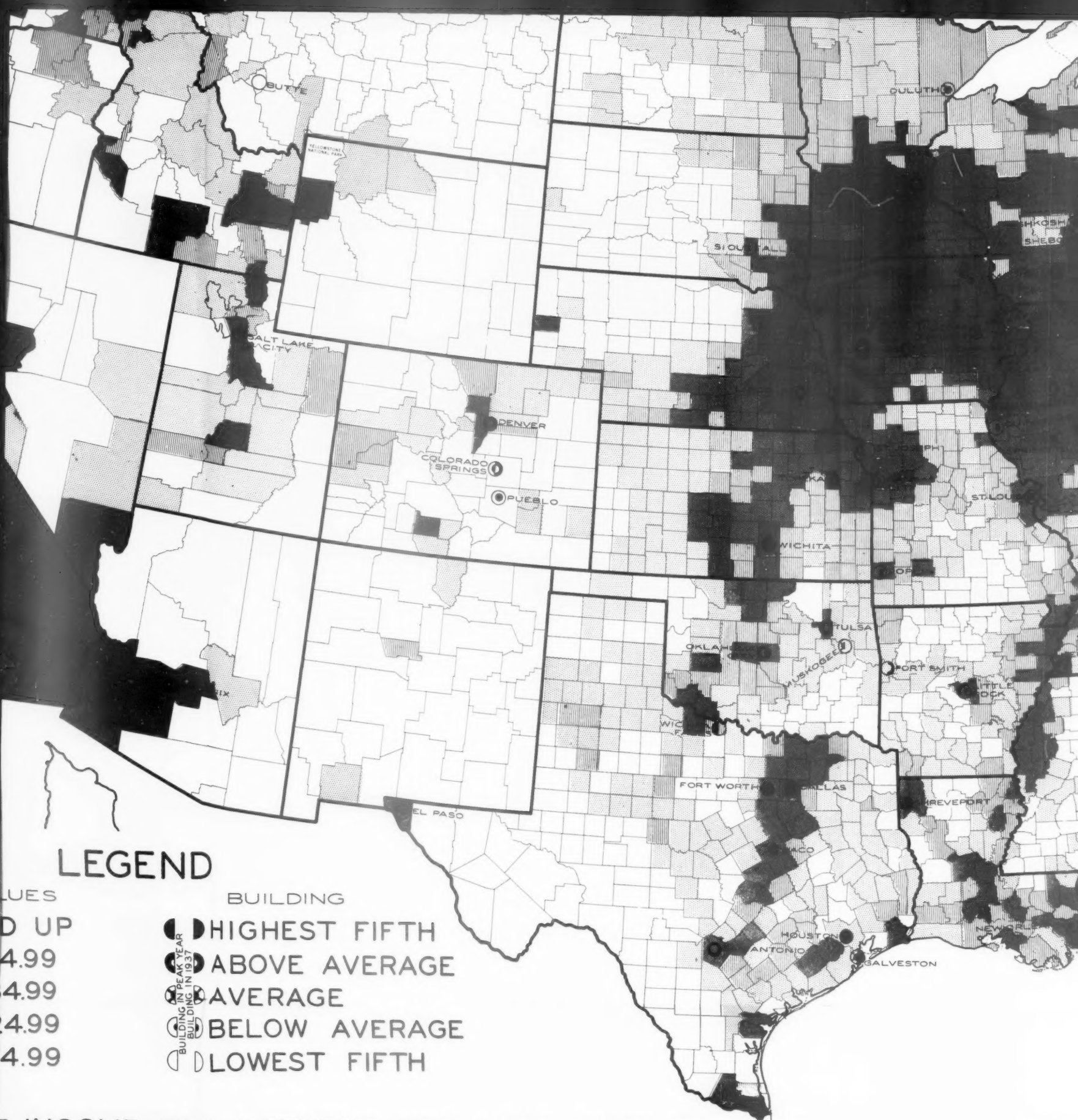




IES - 1935

NUMBER OF UNEMPLOYED PER 1,000 POPULAT





OF INCOME TAX RETURNS PER 1,000 FAMILIES - 1935

NUM



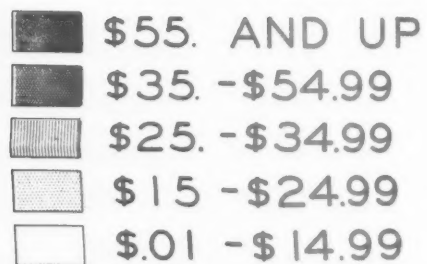


NUMBER OF UNEMPLOYED PER 1,000 POPULATION - 1937

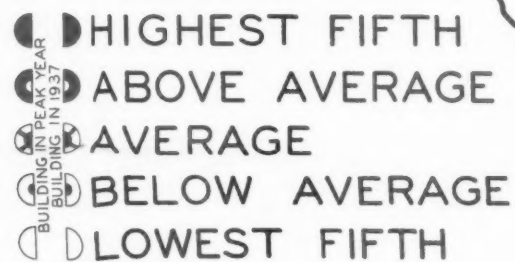


LEGEND

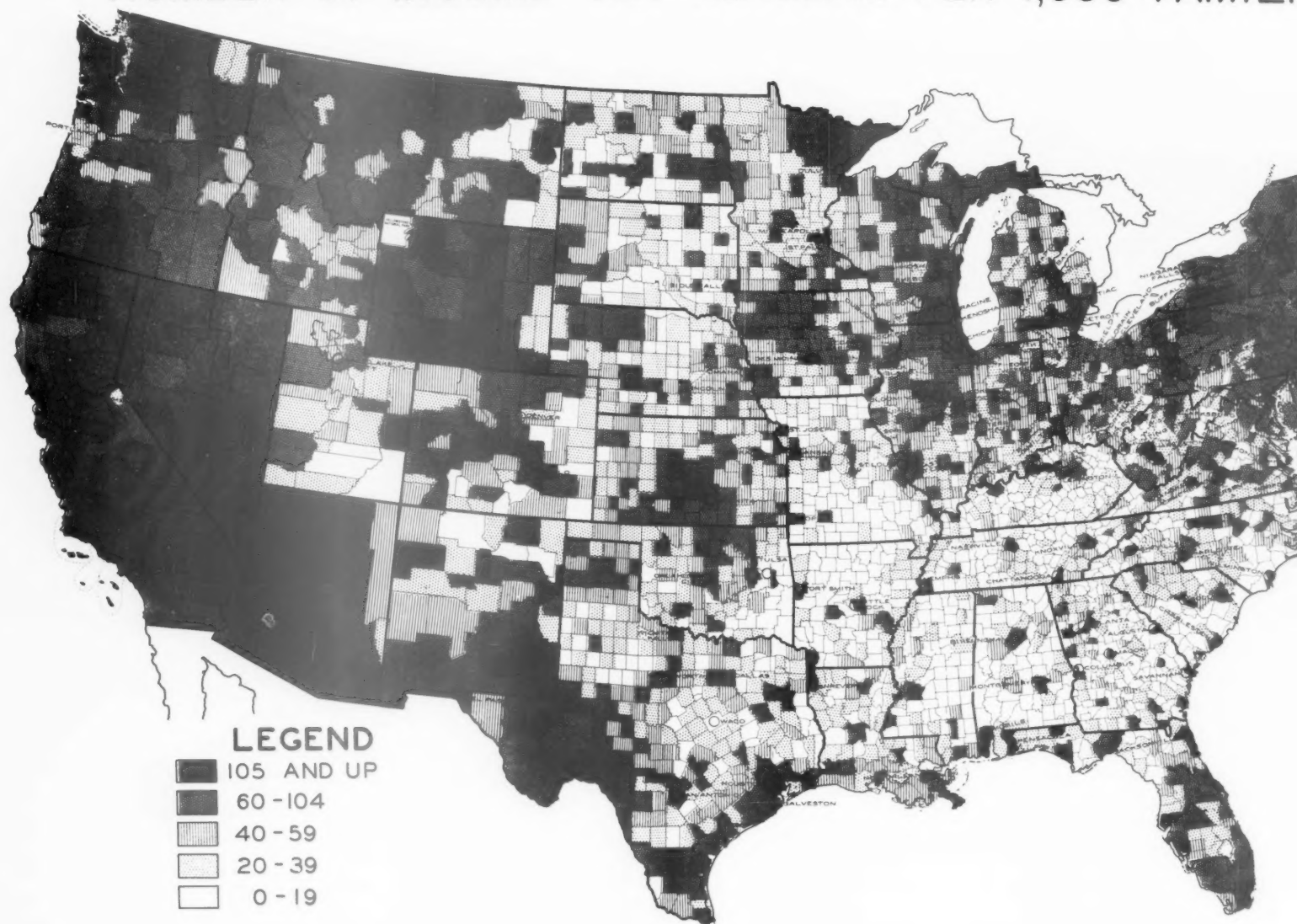
FARM VALUES



BUILDING



NUMBER OF INCOME TAX RETURNS PER 1,000 FAMILI

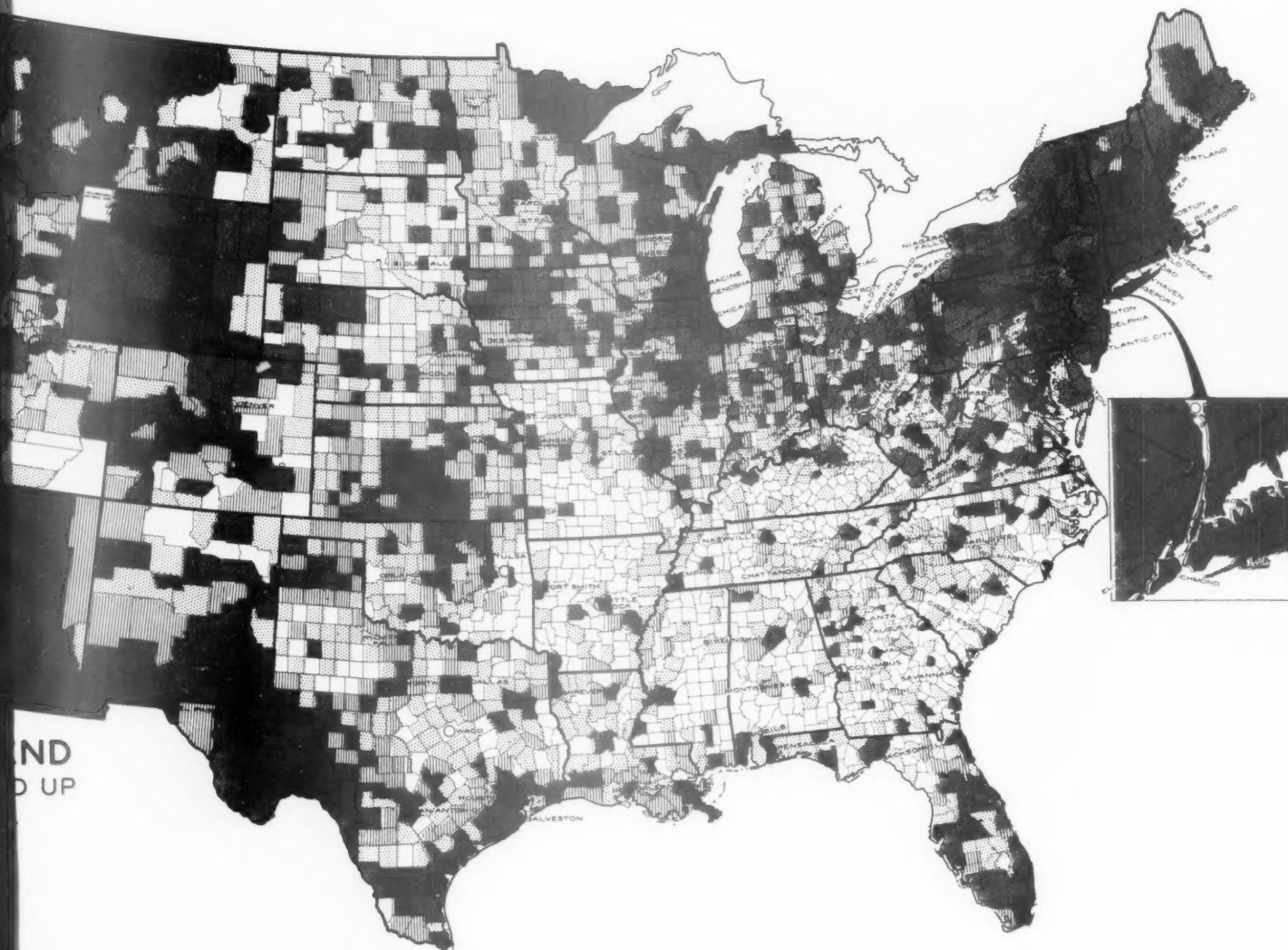


LEGEND

VALUES
AND UP
\$54.99
\$34.99
\$24.99
\$14.99

BUILDING
HIGHEST FIFTH
ABOVE AVERAGE
AVERAGE
BELOW AVERAGE
LOWEST FIFTH

OF INCOME TAX RETURNS PER 1,000 FAMILIES - 1935

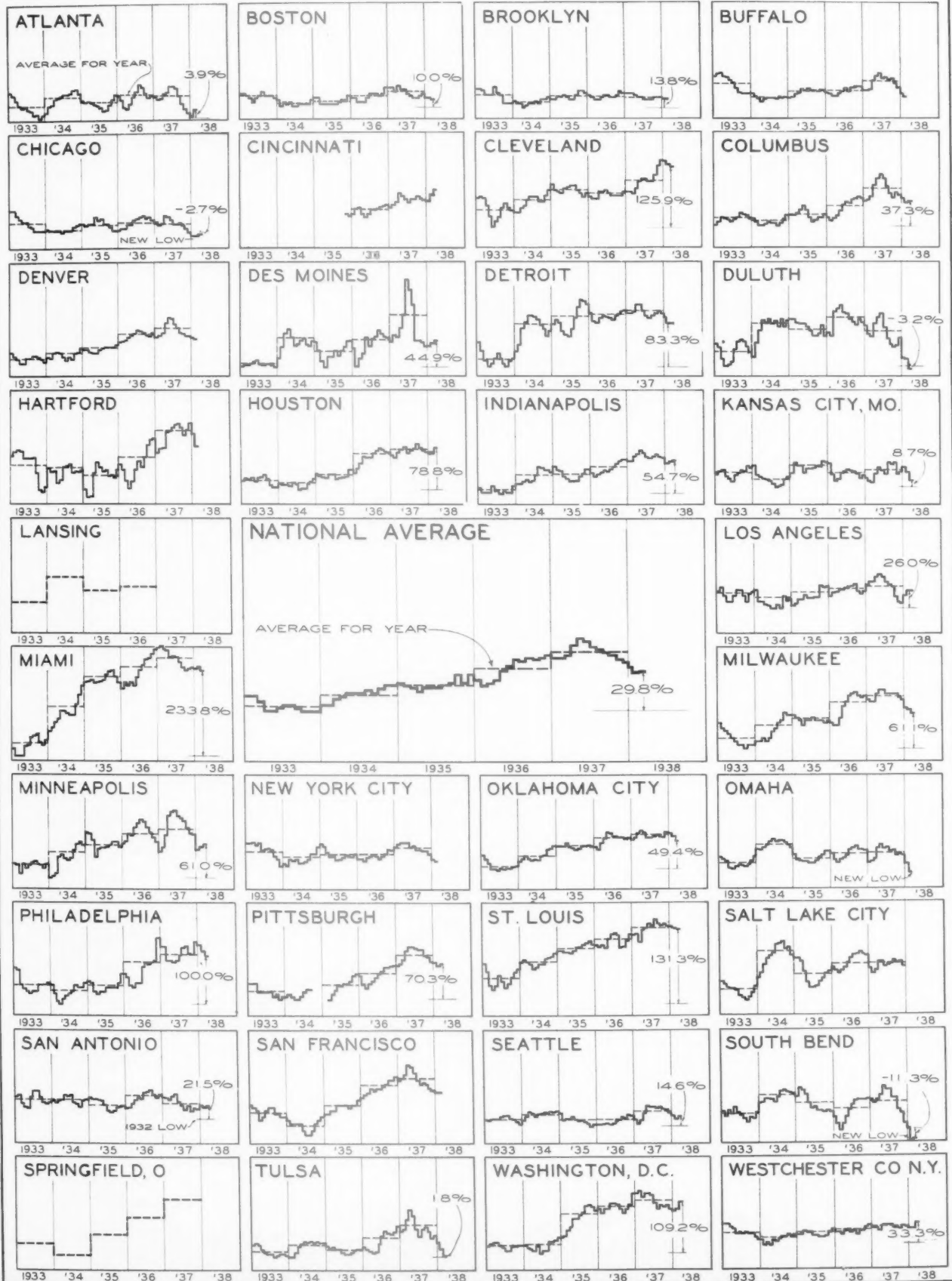


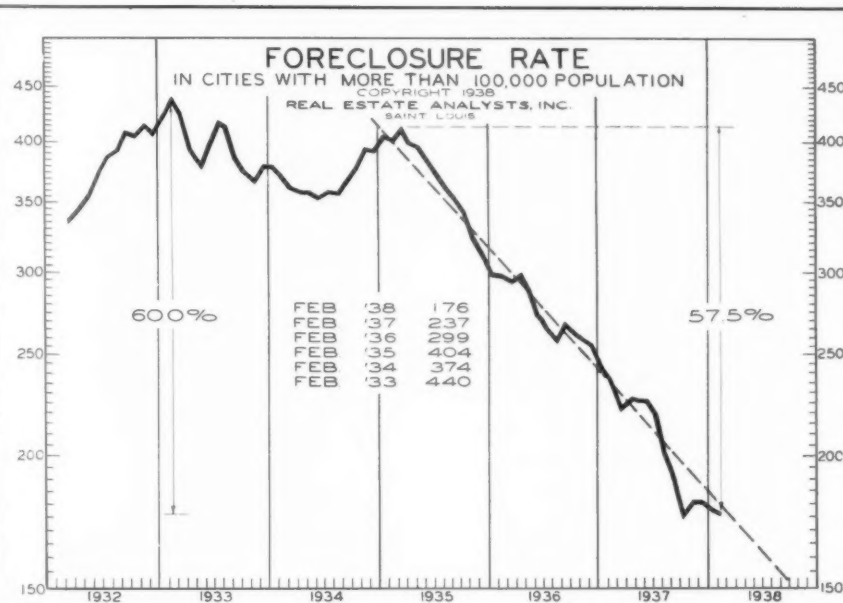
VALUES
AND UP
\$54.99
\$34.99
\$24.99
\$14.99

REAL ESTATE TRANSFERS IN PRINCIPAL CITIES

1933 TO 1938

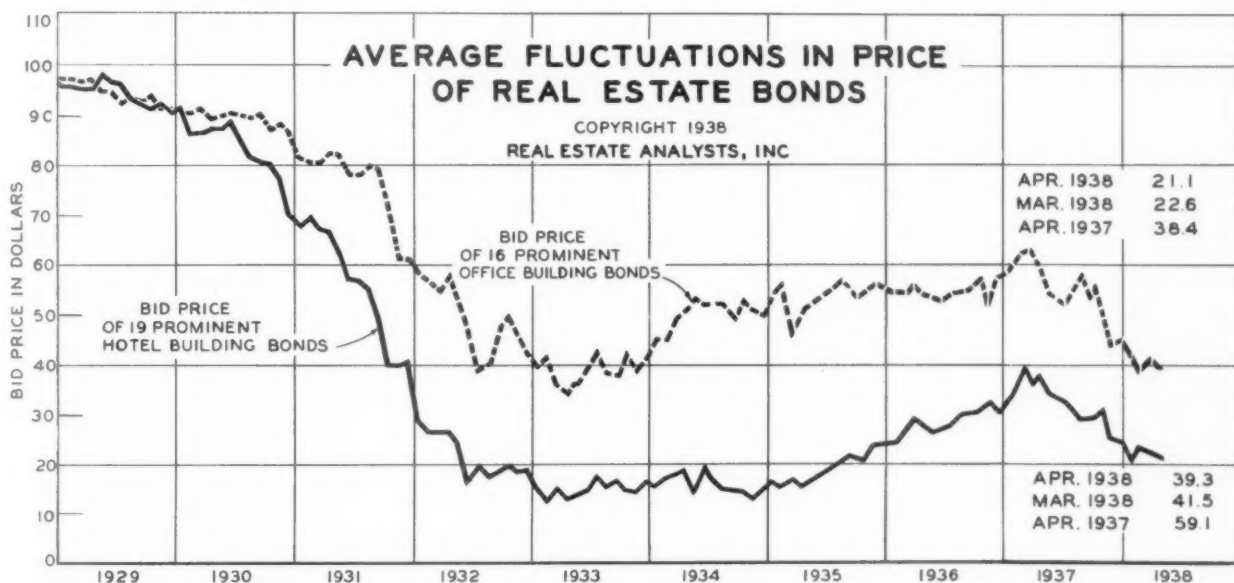
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THE chart to the left shows the monthly fluctuations in the foreclosure rate in cities having more than 100,000 population. This chart is corrected for seasonal fluctuation and is based on the compilations made by the HOLC. The dashed line shows the trend at which foreclosures have been dropping for the past three years. The figure for February, which is the last figure available, showed a continuation of

the downward trend. It is 25.8% below the level of a year ago, 57.5% below the peak of 1935, and 60.0% below the all-time peak of 1933.



THE chart above shows the average fluctuations in the bid prices of office and hotel building bonds. The trend of both office building and hotel building bonds has been downward during most of 1937 and the beginning of 1938. The buildings used are only those on which quotations can be secured monthly. The office building list includes the following: Broadway Motors, Bryant Park, Bush Terminal, Carbide and Carbon, Chesebrough, Chrysler, Cleveland Terminal, Equitable (N.Y.), Graybar, Grant, Liggett, One LaSalle Street, Postum, Textile, Wanamaker (Phila.), Woodbridge. The hotel list includes the following: Bowman-Biltmore, Eastern Ambassador Hotel, Eppley Hotels, George Washington Hotels, Hotel Lexington, Hotel Sherman, Hotel St. George, LaSalle Hotel, Lord Baltimore, National Hotel of Cuba, Palace Hotel (San Francisco), Park Central Hotel, Pitts Hotel, Savoy-Plaza, Sevilla-Biltmore, Sherry-Netherland, Stevens Hotel, Waldorf-Astoria.

THE REAL ESTATE ANALYST INDEX OF RESIDENTIAL RENTS

THE table below shows the residential rent figures charted by months on the page opposite. This is the revised index of residential rents which appeared in the Real Estate Analyst for the first time in the February issue. All rents are expressed in dollars per month per room. This makes possible a comparison of

rent levels between different cities, and in the same city between heated and unheated units. The twenty-six cities selected are typical cities scattered from coast to coast. The method of computing this index is described on page 889 in the February, 1938, Real Estate Analyst.

	1937												1938			
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	*Mar.	Apr.
National Index	\$7.31	\$7.36	\$7.46	\$7.55	\$7.67	\$7.80	\$7.90	\$8.04	\$8.12	\$8.23	\$8.33	\$8.36	\$8.36	\$8.35	\$8.35	\$8.37
Atlanta	6.92	6.93	6.96	7.03	7.07	7.14	7.20	7.31	7.43	7.52	7.56	7.58	7.60	7.56	7.53	7.53
Baltimore	5.85	5.87	5.93	6.03	6.20	6.37	6.48	6.60	6.77	7.02	7.18	7.15	7.10	6.98	6.90	6.77
Birmingham	5.20	5.32	5.39	5.47	5.54	5.62	5.73	5.81	5.88	5.93	6.02	6.07	6.08	6.08	6.14	6.09
Boston	7.13	7.14	7.15	7.18	7.30	7.41	7.52	7.57	7.63	7.67	7.70	7.68	7.65	7.91	7.93	7.95
Chicago	9.26	9.40	9.58	9.83	9.97	10.10	10.15	10.20	10.26	10.30	10.32	10.35	10.30	10.43	10.69	10.67
Cincinnati	8.91	8.97	9.09	9.30	9.48	9.68	9.82	9.92	10.03	10.18	10.34	10.51	10.42	10.34	10.29	10.27
Cleveland	8.75	8.75	8.79	8.91	9.08	9.25	9.37	9.52	9.68	9.80	9.94	10.01	9.92	9.74	9.72	9.86
Columbus	6.36	6.43	6.57	6.72	6.89	7.07	7.24	7.40	7.57	7.73	7.91	8.03	7.98	7.85	7.71	7.70
Denver	6.47	6.57	6.69	6.82	6.97	7.12	7.23	7.32	7.40	7.54	7.65	7.75	7.73	7.69	7.70	7.71
Detroit	8.69	8.80	8.90	9.02	9.20	9.42	9.60	9.74	9.91	10.02	10.15	10.12	10.01	9.85	9.75	9.72
Houston	8.03	8.05	8.12	8.17	8.20	8.30	8.42	8.52	8.59	8.69	8.86	9.04	8.98	8.96	9.03	9.06
Kansas City	4.70	4.88	5.07	5.13	5.18	5.24	5.31	5.37	5.35	5.40	5.48	5.60	5.63	5.60	5.62	5.61
Los Angeles	9.75	9.87	10.02	10.19	10.30	10.38	10.40	10.47	10.58	10.70	10.81	10.88	10.86	10.89	10.87	10.87
Milwaukee	8.35	8.31	8.35	8.42	8.52	8.59	8.86	9.03	9.15	9.22	9.26	9.27	9.25	9.26	9.31	9.41
Minneapolis	6.48	6.47	6.56	6.68	6.82	6.96	7.09	7.23	7.32	7.37	7.40	7.39	7.46	7.41	7.47	7.64
New Orleans	5.98	5.91	5.90	5.93	6.02	6.13	6.26	6.43	6.63	6.82	6.98	7.13	7.07	7.04	6.98	6.92
New York	12.10	12.12	12.30	12.45	12.65	12.75	12.82	12.93	12.99	12.98	13.00	12.99	12.92	13.01	13.02	13.05
Omaha	6.25	6.30	6.30	6.31	6.36	6.46	6.54	6.64	6.65	6.62	6.58	6.58	6.50	6.42	6.40	6.36
Philadelphia	6.23	6.26	6.34	6.42	6.51	6.63	6.73	6.85	6.95	7.05	7.13	7.13	7.11	7.14	7.12	7.22
Pittsburgh	7.79	7.92	8.07	8.24	8.41	8.63	8.81	8.97	9.04	9.14	9.25	9.29	9.29	9.33	9.45	9.51
Richmond	7.18	7.21	7.23	7.27	7.35	7.48	7.66	7.80	7.95	8.09	8.15	8.15	8.29	8.25	8.30	8.39
Saint Louis	6.88	6.88	6.92	6.98	7.09	7.20	7.26	7.36	7.45	7.53	7.58	7.59	7.60	7.64	7.70	7.73
Salt Lake City	5.93	6.02	6.08	6.15	6.21	6.30	6.37	6.46	6.57	6.70	6.82	6.92	6.92	6.91	6.92	6.99
San Francisco	8.02	8.19	8.35	8.48	8.60	8.73	8.85	8.96	9.04	9.17	9.31	9.41	9.50	9.52	9.55	9.55
Seattle	5.78	5.90	5.98	6.07	6.17	6.28	6.42	6.52	6.61	6.66	6.70	6.72	6.85	6.94	6.95	6.90
Tulsa	7.13	7.15	7.20	7.25	7.37	7.46	7.60	7.76	7.92	8.12	8.25	8.37	8.40	8.24	8.23	8.27
National Index	10.59	10.67	10.75	10.80	10.83	10.91	11.00	11.07	11.17	11.28	11.40	11.49	11.58	11.58	11.67	11.63
Atlanta	10.10	10.09	10.06	10.04	10.04	10.03	10.04	10.09	10.20	10.30	10.37	10.40	10.45	10.52	10.53	10.50
Baltimore	10.60	10.59	10.54	10.50	10.47	10.43	10.40	10.38	10.41	10.47	10.52	10.52	10.57	10.52	10.51	10.43
Birmingham	8.68	8.70	8.69	8.68	8.66	8.65	8.69	8.75	8.85	8.92	9.03	9.14	9.26	9.33	9.35	9.41
Boston	12.29	12.40	12.53	12.69	12.80	12.98	13.11	13.22	13.35	13.50	13.65	13.91	14.20	14.35	14.52	14.62
Chicago	11.76	11.87	11.95	12.02	12.00	12.01	12.04	12.18	12.30	12.38	12.43	12.46	12.60	12.81	12.90	12.83
Cincinnati	11.77	11.76	11.80	11.89	11.96	12.11	12.23	12.31	12.45	12.52	12.60	12.67	12.68	12.73	12.82	12.81
Cleveland	10.85	10.99	11.09	11.19	11.35	11.50	11.70	11.89	12.08	12.25	12.33	12.30	12.42	12.50	12.54	12.62
Columbus	10.19	10.38	10.51	10.60	10.69	10.80	10.92	11.08	11.29	11.41	11.46	11.46	11.46	11.45	11.45	11.48
Denver	11.04	11.21	11.33	11.45	11.50	11.61	11.70	11.79	11.99	12.25	12.58	12.83	12.86	12.89	12.90	12.93
Detroit	10.63	10.73	10.85	10.97	11.10	11.21	11.38	11.55	11.63	11.76	11.85	11.91	11.96	12.00	11.98	11.89
Houston	9.14	9.30	9.47	9.58	9.71	9.86	10.00	10.09	10.21	10.30	10.29	10.27	10.37	10.37	10.48	10.55
Kansas City	6.40	6.65	6.90	6.92	6.92	6.91	6.90	6.88	6.90	6.95	7.03	7.09	7.04	6.98	6.97	6.93
Los Angeles	12.00	12.19	12.31	12.42	12.47	12.53	12.62	12.81	13.01	13.24	13.42	13.59	13.71	13.77	13.80	13.70
Milwaukee	9.52	9.62	9.75	9.86	9.98	10.12	10.26	10.35	10.49	10.59	10.65	10.70	10.72	10.77	10.72	10.71
Minneapolis	8.99	9.03	9.10	9.19	9.30	9.40	9.53	9.60	9.64	9.65	9.68	9.68	9.80	9.84	9.82	9.82
New Orleans	8.33	8.27	8.28	8.34	8.40	8.48	8.54	8.57	8.68	8.80	8.96	9.15	9.20	9.08	8.88	8.78
New York	18.10	18.20	18.25	18.26	18.29	18.38	18.50	18.59	18.70	18.83	18.95	18.98	19.00	19.00	18.87	18.91
Omaha	10.30	10.40	10.43	10.43	10.37	10.35	10.35	10.34	10.35	10.40	10.48	10.61	10.62	10.52	10.38	10.19
Philadelphia	13.65	13.85	13.96	14.05	14.06	14.00	14.00	13.99	14.00	14.10	14.14	14.18	14.22	14.27	14.25	14.22
Pittsburgh	9.80	9.91	10.10	10.31	10.51	10.72	10.92	11.14	11.34	11.60	11.76	11.88	11.90	11.98	11.98	11.93
Richmond	10.33	10.42	10.48	10.46	10.46	10.48	10.53	10.59	10.69	10.75	10.88	10.92	10.90	10.97	10.98	11.00
Saint Louis	9.86	9.91	9.92	9.97	10.01	10.01	10.00	9.98	10.01	10.08	10.13	10.24	10.35	10.41	10.40	10.48
Salt Lake City	9.30	9.35	9.42	9.53	9.62	9.73	9.80	9.90	9.98	10.12	10.24	10.35	10.36	10.33	10.38	10.31
San Francisco	11.41	11.58	11.84	12.01	12.20	12.30	12.39	12.45	12.55	12.68	12.80	12.89	12.96	13.02	13.13	13.03
Seattle	10.32	10.39	10.42	10.50	10.52	10.60	10.65	10.61	10.60	10.61	10.61	10.81	10.89	11.00	11.02	11.10

*Preliminary

RESIDENTIAL RENTS IN TYPICAL CITIES

